

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HENDERSON-UNION)	
RURAL ELECTRIC COOPERATIVE)	
CORPORATION FOR AUTHORIZATION TO)	
BORROW \$1,229,897.00 FROM NATIONAL)	
RURAL UTILITIES COOPERATIVE FINANCE)	CASE NO. 10487
CORPORATION AND TO ISSUE ITS)	
EVIDENCES OF INDEBTEDNESS THEREFORE)	
AND FOR CERTIFICATE OF CONVENIENCE)	
AND NECESSITY)	

O R D E R

Henderson-Union Rural Electric Cooperative Corporation ("Henderson-Union") filed its application on December 5, 1988 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, and for approval to borrow funds and to execute its notes to secure such loan. These improvements and additions, more specifically described in the application, are estimated to cost \$3,976,725 and are to be financed by a loan of \$2,784,000 from the Rural Electrification Administration ("REA") and a loan of \$1,229,897 from the National Rural Utilities Cooperative Finance Corporation ("CFC").

On February 2, 1989, the Commission issued an Interim Order granting Henderson-Union a Certificate of Public Convenience and Necessity for the proposed construction, but deferred ruling on the proposed loans because neither REA or CFC had yet agreed to make them. On June 5, 1989, Henderson-Union filed copies of correspondence received from REA and CFC approving its loans.

FINDINGS AND ORDERS

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. The proposed loan from CFC is for lawful objects within the corporate purposes of Henderson-Union, is necessary and appropriate for and consistent with the proper performance by Henderson-Union of its service to the public, and will not impair its ability to perform that service.

2. Henderson-Union is capable of executing its notes as security for the loan as stated herein.

3. Henderson-Union should select the interest rate program resulting in the net lowest cost of money to it over the term of the financing.

4. Henderson-Union should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in Henderson-Union's application.

6. Henderson-Union should include in its monthly financial report to the Commission the current interest rate on its variable rate loans outstanding.

7. Henderson-Union should seek subsequent approval from the Commission prior to converting to an interest rate option that differs from the one selected at the time of the first advance of loan proceeds.

8. As the REA is an agency of the federal government, Commission approval of Henderson-Union's proposed loan with REA is not required pursuant to KRS 278.300(10).

IT IS THEREFORE ORDERED that:

1. Henderson-Union be and it hereby is authorized to borrow \$1,229,897 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Henderson-Union, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

2. Henderson-Union be and it hereby is authorized to execute its notes as security for the loan herein authorized.

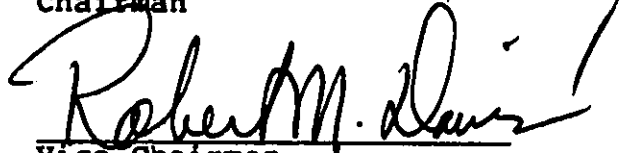
3. Henderson-Union shall comply with all matters set out in Findings 3 through 7 as if they were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 26th day of June, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Commissioner

Executive Director